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NEWS RELEASE

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Paul J. McNulty, United States Attorney for the Eastern District of Virginia, announced the sentencing today of John J. Phillips, 62, of Vienna, Virginia, on federal charges of wire fraud related to an identity theft and credit card scheme involving three other co-schemers. The Honorable Gerald Bruce Lee sentenced Phillips to 46 months of imprisonment and joint and several restitution in the amount of \$477,037.40. Phillips had previously pled guilty to the wire charges in January.

Three other co-schemers have also pled guilty and been sentenced: On July 7, 2004, Kevin McGandy received 6 months of home confinement and \$86,267.57 in joint and several restitution for his minor involvement in the scheme; on March 19, 2004, Edward Soboleski received 15 months of imprisonment and joint and several restitution in the amount of \$38,984.35 for his lesser involvement in the scheme; and on May 6, 2005, Elisa Bescher, who substantially assisted the government and investigating authorities, received 12 months of home confinement with work release and joint and several restitution in the amount of \$405,755.87.

Until this investigation culminated in October 2003, John Phillips was a senior engineer serving as a project manager at TRW, now Northrop Grumman Space and Mission Systems in Fairfax, Virginia, where he had been employed since 1968. John Phillips, however, also had another job – as the organizer and leader of a complex scheme that over a period of almost six years systematically and methodically obtained and “revived” the personal identifying information of over 200 deceased individuals. Phillips developed and began the scheme alone. He later recruited Elisa Bescher, a former escort and romantic acquaintance of Phillips. The two subsequently involved co-schemers Edward Soboleski and Kevin McGandy to take lesser roles.

In order to obtain personal identifying information, the defendant used various deceptive methods to obtain birth certificates, death certificates and duplicate social security cards in the names of the deceased individuals. Phillips and Bescher then selected approximately 18 of the deceased individuals to develop as “projects.” Phillips and Bescher established good credit histories for the projects by putting some of the schemers’ personal bills, such as telephones, in the name of the deceased individuals; opening bank accounts in the projects’ names; and adding or “piggybacking” the projects’ names to legitimate credit card accounts. After establishing these credit histories, Phillips and Bescher obtained numerous credit cards from at least 18 banks and related financial institutions by applying over the Internet. Phillips and Bescher sent the

credit cards and related mail to at least five “drop” locations, which were either houses of co-schemers or vacant houses.

To enable the co-schemers to use the credit cards, Phillips and Bescher made fraudulent identification documents in the name of some of the projects, and Phillips even obtained genuine Virginia driver’s licenses from the Virginia Department of Motor Vehicles in the name of at least two projects. Phillips used one of the fraudulently obtained driver’s licenses to purchase a car and obtain a car loan. Co-schemers used some of the cards to make purchases in stores and over the Internet. Most of the money in the scheme was obtained by using a “virtual” credit card merchant account, which Phillips and Bescher used to process large charges over the Internet so they could obtain large amounts of cash.

Phillips, due to his role in the scheme, was responsible for the loss of \$477,037.40. He used much of these proceeds to make improvements to his home in Vienna, make car payments and for deposit into his accounts. The government seized \$360,000 from Phillips’ pension fund, which the government allowed the defendant to use to re-pay the victims. Proceeds from another of the defendant’s accounts that was forfeited by the government, as well as one of the defendant’s forfeited vehicles, will also be forwarded to the victims.

The cases against John Phillips, Elisa Bescher, Edward Soboleski and Kevin McGandy were the result of “Operation Revive” investigated by agents of the United States Postal Inspection Service and the United States Secret Service. Assistant United States Attorney Stephanie Bibighaus Hammerstrom prosecuted the cases for the government.

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